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ABSTRACT

This publication provides a sequential action plan that can be followed stage by stage by any British further education college planning to merge. Section 1 describes the Sunderland merger, one of the first to be driven by an attempt to avoid wasteful competition. Section 2 describes the 10 stages in devising an action plan. For each stage in the planning process, this section identifies the key issues to be addressed and provides a checklist of the factors to be considered. The checklists are in table form and list questions with spaces provided for response and action. Where appropriate, strategies for addressing these issues are suggested. The 10 stages are as follows: preparing; analyzing the pros and cons; preparing the business case; arranging a public consultation; preparing a formal proposal for the Further Education Funding Council (FEFC); going before the FEFC regional committee; going before the FEFC reorganization committee; progressing the merger; establishing the new board of governors; and appointing the new principal/chief executive. A summary of key points is followed by relevant background data on the two colleges that merged in Sunderland. Contains 18 references. (YLB)

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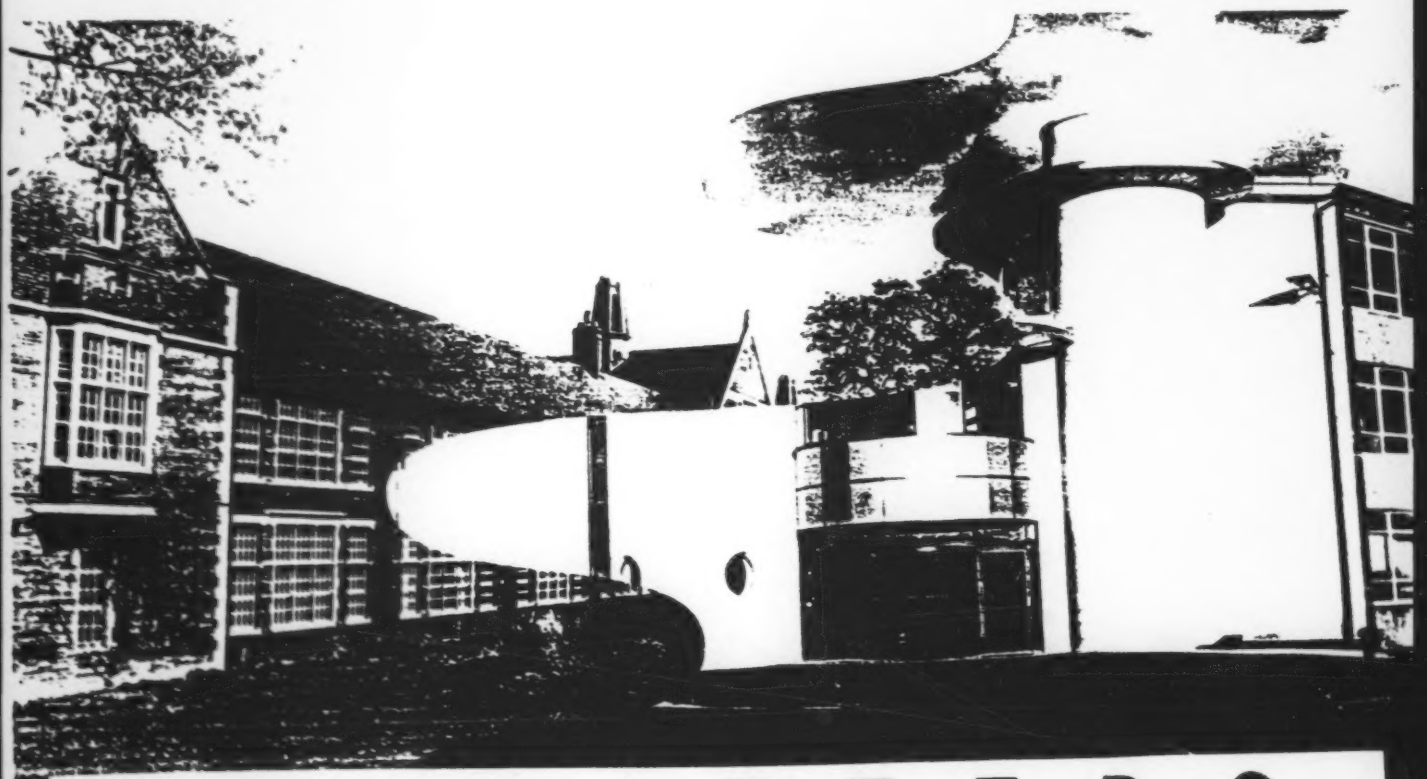
FEDA Further Education Development Agency

Planning a merger of FE colleges

Alan Cass, William King and Gerald Milton

Volume 1 Number 17



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About the authors

Until July 1996 Alan Cass was principal of Wearside College. Gerald Milton retired as principal of Monkwearmouth College in August 1995. They initiated and led the college planning for merger and later acted as co-ordinators for both colleges in the run up to merger. William King formed the third member of the senior planning team, acting as documentation author for the planning stages before succeeding Gerald Milton as acting principal of Monkwearmouth College. William King has since been appointed as deputy principal of the City of Sunderland College. The authors have subsequently provided an independent consultancy service to the governors and senior staff at a number of colleges considering merger.

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Foreword

'Rescue squads to bail out colleges', 'Merge or die agenda faced', 'Eleventh haven (sic) after merger' — this selection of headlines from issues of *Times Supplements* during the past year suggests that merger is taking more of a front-stage position within the further education sector, post incorporation.

Back in December 1994, consultants KPMG predicted that 100 colleges would merge or close after incorporation. So far, this seems to be an exaggeration — by 1 August 1997 only 14 new further education colleges will have come into being following a merger.

However, recent news of prospective mergers, including the proposal to create the largest FE provider in Europe by merging colleges in Newcastle and Gateshead, suggests that the pace may quicken. The number of mergers may yet reach the KPMG figure before the end of the century. Planned mergers between FE and HE institutions represent yet another dimension.

There are different reasons why colleges choose to merge. The main ones are to:

- improve cost efficiency with savings of accommodation, management and rationalisation of curriculum
- improve provision and progression for students
- preserve institutions when closure looms

All three have been apparent in mergers post incorporation. Some mergers are now also driven by attempts to avoid wasteful competition rather than being purely a response to the competitive environment of the corporate era. The Sunderland merger was one of the first of this type. The authors' experience of co-ordinating this merger, along with their subsequent work as consultants to other colleges considering this route, make them authoritative guides to all that needs to be planned for in the run up to a merger. Once this has been achieved, the real job of making the merger work begins.

Mike Bone
Education Staff, FEDA

The Sunderland experience

LEA legacy

In 1989, post-16 education in Sunderland was reorganised to create a tertiary system based on the two former further education (FE) colleges, Monkwearmouth and Wearside.

As FE institutions, the two colleges had offered a complementary curriculum with Monkwearmouth specialising in education for the service sector with some general education and Wearside specialising in technical education. Under tertiary reorganisation, each college retained its vocational specialisms and was given responsibility for providing general education for one half of the city. Local 11-16 schools were each linked to one of the two colleges; 60 per cent went to Monkwearmouth on the basis that it might in future be split into two institutions.

From 1989 onwards, both colleges grew rapidly. This was mainly due to a steady increase in the post-16 full-time education participation rate which grew from less than 30 per cent in 1989 to more than 50 per cent in 1993. Even the 1993 rate was well below the national average and, since the number of school leavers was expected to be at an all-time low in 1994, further growth in participation was projected.

Impact of incorporation and financial stringency

In 1993, incorporation removed the two colleges from LEA control and, along with the rest of the sector, placed them in a competitive market-driven environment. Both colleges prospered in this environment: they continued to grow, achieve financial strength and receive sound to good grades from their inspections by the Further Education Funding Council (FEFC). However, there was agreement that pressure for growth would potentially threaten this prosperity. It was feared that competition between the two colleges would focus on the 'soft markets' at the expense of widening the market to reach new client groups and would blur the image of FE within the city. Pressure on the unit of resource encouraged both colleges to look for more cost-effective ways to deliver the curriculum. A merged college was seen as a way to achieve scale economies in curriculum delivery.

As both colleges anticipated further growth in enrolments, in particular of full-time students, accommodation issues had to be addressed. One college had generally poor building stock while the other had good quality stock, albeit with one oversubscribed and one undersubscribed site. In the competitive local market situation it would be difficult for the partner college to relocate its curriculum offer to even out the pressure on sites. Merger would reduce the amount of new building required and make curriculum relocation easier, since the rival college would no longer seek to fill the void left by the move to a less popular centre.

Appendices 1 and 2 include relevant background data on the two colleges.

Considering a merger

In September 1994, the boards of the two partner colleges sanctioned a report on the advantages and disadvantages of a merger. On receiving this, both agreed that on balance a merger was the favoured option. A team of senior staff was assigned to prepare a business case, on behalf of the two principals, to explore more fully the case for merger. In March 1995, the boards approved this plan which was then used as the basis for public consultation. The business case and the results of the consultation combined were used to prepare the college's submission to the FEFC regional committee and to its reorganisation committee in early summer 1995. Following the FEFC's public consultation on the merger, the case was accepted by the Secretary of State: in November 1995 the college was told that the merger should proceed. The City of Sunderland College would be incorporated on 1 January 1996, with the merger taking effect from 1 August 1996.

College mergers, like all institutional mergers, require careful thought and planning if they are to succeed. Potential partners need to assure

themselves that merger is desirable and achievable within the agreed time-scale. From our experience of co-ordinating the merger at Sunderland, we have drawn up a sequential action plan which can be followed stage by stage by any further education college planning to merge.

Senior managers and governors in colleges contemplating merger can use this paper to:

- assess whether merger is a real option
- prepare the case for merger for their governing body, the FEFC and other relevant parties

For each stage in the planning process, we identify the key issues to be addressed and provide a checklist of the factors to be considered. Where appropriate, we suggest strategies for addressing these issues. An action plan such as this one will not propose an exhaustive list of ready-made solutions. Its purpose is to provoke thought and to guide colleges planning a merger through the key considerations so that they can identify the way forward appropriate to their specific situation.

Alan Cass, William King and Gerald Milton

Devising an action plan

Stage 1: preparation

The early stages of planning a merger proposal must be handled sensitively to avoid any unnecessary negative impact on staff, students, parents, employers and competitors. Before undertaking a merger both college boards must be satisfied that they have considered all other solutions.

Data from the Audit Commission paper *Less Dangerous Liaisons* suggests that colleges often underestimate the time taken to achieve benefits from a merger. Make sure you prepare for this from the outset. It is vital to make early contact with the Further Education Funding Council (FEFC). *Mergers, transfers and new incorporations* (FEFC Circular 97/11) stresses the importance of this and points out that FEFC staff will advise on the procedures the Council follows and the information it requires from a merger proposal. Annex D of this circular sets out the sequence of events required for a reorganisation.

Colleges should prepare an outline timetable for merger which sets out the key issues to be addressed. Contact the FEFC for the dates of its committee cycle and consultation periods so that you can plan stages of the process to coincide with its schedule. Then prepare a preferred timetable and one offering a fallback position, as set out opposite in Figure 1.

Issues for consideration

Commitment is needed from the top to examine the situation as objectively as possible and to appoint a team, with a balanced membership and credibility with governors and staff, to analyse the case for merger. Both colleges will need to undertake market research to assess the advantages and disadvantages of merger and to consider alternative strategies. Initial discussions should be conducted at college chair and chief executive level.

The next stage is to prepare a risk analysis report giving the case for and against merger. Both college boards must give permission for this to go ahead. The natural concerns of staff should not be underestimated. Issue an agreed joint statement to inform staff in both colleges of plans to create a merger. In Sunderland, we discussed the statements with staff unions. Once governors had given the go-ahead for a risk analysis we informed staff of this via full staff meetings. Staff were told that they would have opportunities to present their views. We gave considerable attention to ensuring that all information on merger was consistent and was released in both colleges at the same time.

Establish a merger steering committee accountable to, and made up from, both boards and possibly also including staff. This committee will act as a constitutional bridge between the old colleges and the new college, so must have a membership capable of undertaking such a significant and sensitive role. It should have a balance of members from each partner college. Select candidates who will satisfy corporation and staff interests and will protect confidences.

Action	Preferred timetable	Fallback position
1 Governors consider the case for merger, agree to it in principle and to a public consultation		
2 A preliminary consultation document is published (for students, parents, partner schools, LEA, business interests, colleges)		
3 Consultation period ends — governors agree to propose a merger to the FEFC; a proposal document is prepared		
4 The regional committee considers the proposals		
5 The reorganisations committee considers the proposals		
6 Notices are published		
7 The reorganisations committee considers the outcome		
8 The proposal is sent to the Secretary of State		
9 The Secretary of State presents the order to Parliament		
10 Parliament approves the merger		
11 Operation date given for the new college		

FIGURE 1: POTENTIAL TIMETABLE FOR MERGER

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Checklist for action — preparation

Questions	Response	Action
Strategic arrangements		
Have alternative solutions been fully explored and rejected?		
How will the initial discussions between chairs/chief executives be structured?		
How will approaches be made to both college boards?		
Have all the issues which are likely to cause concern been identified?		
How will initial research into a merger be conducted?		
Is senior management at both colleges committed to merger?		
Will it be possible to establish a joint senior management planning group to progress the necessary action of considering a merger?		
How will the colleges respond to early concerns from staff and trade unions about long-term job security?		
Consultation and communications		
Has an agreed strategy been developed to ensure that the same information is released in both merger partner colleges?		
Has a joint response for the media been considered?		

Stage 2: analysing the pros and cons

Once the initial preparation work has been completed, the first major step is to receive approval from both college boards. To achieve this, you will need to produce a report setting out the advantages and disadvantages of merger. This can then be considered by each of the boards of governors.

Issues for consideration

Information for this 'pros and cons' report should be sought from a number of sources in both colleges. The report should analyse the strategic objectives of both institutions and be agreed by both chief executives before it is presented to the boards of governors. It must be impartial so that each institution can make an objective decision on whether to proceed with merger planning or to abort the proposal.

A working group, including members from both colleges, should be appointed to prepare the report. Alternatively, it may be more appropriate to use an external consultant to undertake this evaluation.

The report should have a single author, with representatives from both institutions agreeing on any changes. It should include, as a minimum, sections on:

- Recommendations
- Background information
- Statistical information
- Advantages and disadvantages

Recommendations

This section might include a recommendation agreed by both chief executives on whether or not to merge, with suggestions on future action. At Sunderland, the recommendations given in the pros and cons analysis included that:

- approval of the report would signal sufficient justification for more detailed consideration of merger
- a formal business case be produced
- a small joint steering group be established to oversee the development of the business case; this would be made up of governors from both colleges, and it was proposed that the chair of the committee be rotated between the colleges
- the proposed time-scale for developing the business case be approved

Background information

This section could summarise information on both colleges which corporation board members would find useful in their decision-making.

College A	College B
Good exam results	Satisfactory exam results
Satisfactory inspection report	Very good inspection report
Good geographic spread in centre locations	One specialised site
Good partnerships with industry	Good links with local community
A growing volume of FEFC-funded activity – growth targets met	Average Level of Funding (ALF) at median level for sector
Satisfactory financial forecast	
Poor estate asset base	Underutilised estate
Poor gender mix in some sites	Financial deficit forecast
Average Level of Funding (ALF) high in sector comparison	A reducing volume of FEFC-funded activity – growth targets not met

FIGURE 2: EXAMPLE OF STRENGTHS AND WEAKNESSES ANALYSIS

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Statistical information

The level of detail of statistical information required will depend upon the size and complexity of the colleges. As a minimum it should include:

- current and projected student numbers for both colleges
- estates information indicating gross internal space for both colleges based on FEFC estates guidelines
- existing and combined income and expenditure analyses for the current financial year

Advantages and disadvantages

When considering the advantages and disadvantages of merger, it is important to cover the implications for all activities in both colleges. To achieve this, you could examine the merger option from the following perspectives:

- curriculum
- physical resources
- marketing and strategy
- staffing/organisation
- finance

This analysis should be based on an acknowledgement that each college will have its own mixture of strengths and weaknesses. It may be useful to express this in tabular form — Figure 2 on page 11 offers an example of this.

The type of advantages and disadvantages included in the Sunderland report are outlined in Figure 3.

In Sunderland's case, both college boards considered the report in detail and independently concluded that they should accept the recommendations of the two principals to prepare a formal business case.

	Advantages	Disadvantages
Curriculum	Increased opportunities and improved access for students	Larger organisation to manage
Physical resources	More economic use of buildings and plant	Building conversions resulting in staff and student disruption
Marketing and strategy	Improved planning within a city-wide framework	Loss of inter-college competition and reduction in quality
Staffing	Stronger overall safeguards for security of employment for college staff	Staff uncertainty and increased demands on management team
Finance	Economies of scale resulting from reduced overheads	Short-term financial costs

FIGURE 3: EXAMPLES OF ADVANTAGES AND DISADVANTAGES INCLUDED IN THE SUNDERLAND REPORT

Checklist for action — analysing the pros and cons

Questions	Response	Action
Strategic arrangements		
In what form will the pros and cons report be presented to both college boards for consideration?		
How will the source information for the preparation of the pros and cons report be compiled?		
Will the pros and cons report be prepared by an internal cross-college team, or will an independent consultant be required?		
Will the objectivity of the report be assured?		
How will merger influence the strategic objectives of both colleges?		
What resources and support will be provided for the development team?		
Consultation and communications		
At this stage, what joint consultation will take place with staff and students?		
Has a joint response for the media been considered?		

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Stage 3: preparing the business case

If both college boards are satisfied that there is a good case for continuing with merger proposals, it is time to prepare a business case for the new college. This should outline the college's purpose, market, shape and prospects, and should include details on the type of management and governance proposed for it.

The strategic planning information that the FEFC requests from college strategic plans should help inform what to include. A framework for strategic planning is given in Annex A of *Strategic plans 1997-1998 to 1999-2000* (FEFC Circular 96/34). This sets out the elements of a three-year strategic overview and offers advice on preparing the material for a business case.

At a minimum, the business case should include details on the new college's:

- mission statement
- corporate objectives
- provision
- management issues
- staffing
- accommodation
- governance
- finances

and finally,

- a risk analysis of a merger to assess the impact of variations in external factors

This information must be based on a needs analysis of the market.

Mission statement

The mission statement will at this stage be compiled from the mission statements of the two existing colleges, but should also indicate the significant changes which will arise from the merger. This statement will then have to be accepted by both college boards. If a new college were to be formed, it would be the responsibility of the new board to re-examine the appropriateness of this mission statement as part of a strategic planning exercise.

Corporate objectives

This section of the business case should list the main corporate objectives of the proposed merged college, derived from and supporting the mission statement. Include, where possible, time-scales and indicators to assess progress in achieving these objectives. The FEFC may be interested in achievement against national targets for education and training. The resources of a combined college can offer wider and potentially more attractive options.

Provision

This part of the business case should examine the potential market of the two colleges, taking account of local demographic and labour market data. It should explain any improvements offered through merger. Where appropriate, collaborative arrangements with other education providers should be specified. It should evaluate the case for operating as a combined college against maintaining the *status quo*.

Management issues

Key management issues must be considered from the beginning. Attention should be given to financial and information systems, personnel systems and harmonisation of procedures for reporting to the FEFC.

Staffing

Staffing projections will represent a key element of a business case in determining the future success of any merged institution. It may be useful to tabulate current and projected academic and support staffing levels against growth projections. The growth projections should compare those compiled from the colleges' existing strategic plans and those projected for the new college. Any saving resulting from merger should be explained.

This section should also explain the interim procedures necessary to ensure that adequate management and control procedures are in place during the transition to merger and the early life of the new college. These interim procedures will depend upon the timing of the appointment of the new principal.

When preparing the Sunderland business case for merger we mapped out a list of senior management corporate responsibilities on a matrix, within a possible organisational structure which was set out in an accompanying diagram. The new college, through its organisational structure, must be able to deliver a quality curriculum to its clients while also recognising its organisational responsibilities. These are to:

- plan, manage and control its finances
- manage both its marketing and external relations
- fulfil its personnel responsibilities to its staff as their employers
- keep its premises in a safe, clean and usable condition

Evidence from a number of mergers suggests that change will continue into the early years of a new college. It may be preferable to defer decisions on final structures until merger has been approved and a new principal/chief executive appointed.

Accommodation

This section should set out the current position of the combined college estates using the FEFC estates guidance formulae.

The projected growth for the new college should then be incorporated into these figures. An accommodation strategy for optimising the combined estates of the two colleges should be detailed to show advantages against maintaining the *status quo*.

Factors for consideration are:

- achieving a high level of occupancy of the space available
- ensuring that estates are fit for the purpose against the curriculum plan
- the age, quality and location of estates

Colleges may find it useful to consult specialist external consultants in preparing this section of the business case.

Governance

The proposed size and composition of the board which will govern the new college should be outlined in this section. It should include the intention to achieve a gender balance. It is important to outline here the range of skills needed and indicate who from the existing boards would be appropriate for and committed to membership on the new board. The new corporation would, in time, determine its final shape, size and committee structure, but an indicative committee structure should be prepared. It is also appropriate to outline the format of a search committee which will establish membership to the new board.

Finance

Both colleges will have submitted a financial forecast to the FEFC to support their strategic plans and operating statements. These forecasts can provide a starting point for examining the financial implications of merger and for stating what benefits merger might produce.

Additional costs and savings accruing from the merger proposals should be identified. A financial analysis of merger proposals could be based upon the broad headings required by the FEFC — Income, Pay Expenditure and Non-Pay Expenditure — and any savings shown over at least a three-year planning cycle.

A sensitivity analysis could be included to examine changes which could affect the projected financial outcomes of merger. This would involve identifying the potential financial savings and assessing whether they were achievable; for example, merging of the finance function, of the marketing function and so on.

Risk analysis

This section should offer an objective assessment of the opportunities and threats relating to the proposals in the business case. Opportunities could include accelerating the contribution to national targets for education and training, and having a greater chance to support local economic regeneration. Threats could include outside competition and the job seekers allowance leading to a lower intake than anticipated, which would affect the financial forecasts of the merger proposal.

Issues for consideration

Set up a development team, including members from both colleges, to produce the business case. It may be useful to identify a small core team with authority to draw on information from both partner colleges. This team would need corporate support.

The merger steering committee will need to review elements of the business case as it is developed, but the final business case must be accepted by both college boards.

Preparing the business case involves sharing commercially sensitive information regarding planning projections and financial forecasts with merger partners.

Do not underestimate the concerns of staff. As a high priority, establish a jointly prepared 'Consultation and communication' document which sets out procedures for staff and union consultation. This should be available to all staff so could be published in a merger newsletter.

Job security will be the main concern of staff and this can, in part, be addressed through effective communications. Be cautious about using job guarantees in the business case documentation. Any reassurances given to staff must not impair the freedom of the new board to make the most effective use of staff resources.

Each college will need to consider its response to staff concerns within the framework of its personnel procedures and practices. Colleges with no appropriate personnel procedures may want to set out procedures for dealing with staff affected by organisational change. This could be prepared by personnel staff to signal a sensitive approach to staff displacement and, perhaps, refer to compulsory redundancy only as a last resort. It would then need to be accepted by both boards and discussed with recognised trade unions in both colleges.

If the college boards, having considered the final business case, do not agree to progress with merger plans, it may be possible to propose an alternative solution of some form of strategic alliance. Having reached this stage the colleges will each have divulged a considerable amount of sensitive information of use to competitors; a strategic alliance could avoid any difficulties which might arise from aborting the merger proposals at this stage and reverting back to a competitive local context.

Checklist for action — preparing the business case

Questions	Response	Action
Strategic arrangements		
How will a merger steering committee be formed to act on behalf of the two college boards to oversee the preparation of the business case for merger?		
Have both college boards considered the appropriateness and nomination of staff governors on to this merger steering committee?		
Is the status of the merger steering committee clearly defined in terms of its relationship to the two college boards and to the management of both colleges?		
Who will take lead responsibility in assembling the business case documentation?		
Will it be necessary to use external consultants at any stage during the preparation?		
Has the necessity to share commercially sensitive information been fully appreciated?		
Do both colleges have adequate facilities to market research the business case for merger?		
Has the time-scale proposed for merger been confirmed?		
Consultations and communications		
What information will be given to staff and trade unions regarding progress to this stage?		
Has consideration been given to inform present and potential students of developments to date?		
Has a joint response for media and parent interest been prepared?		
Have both colleges considered whether to produce a merger newsletter to keep staff updated on merger progress?		

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Stage 4: arranging a public consultation

Colleges must test local opinion of merger proposals: this is an FEFC requirement. The business case, if accepted by both college boards, will form the basis for preparing a public consultation document.

This document should include:

- background to the merger proposal
- the case for merger
- proposed name for the new college
- proposed timetable for merger
- a list of interest groups who have been contacted as part of this consultation
- a section dealing with college issues drawn from the business case on the new market, curriculum opportunities, staffing, and estates

Proposals for interim arrangements during the transition period, particularly those for students, should allay concerns.

When preparing this document, be mindful of the size and cost of circulation and ensure that it preserves the commercial and business interests of both colleges. It may be appropriate to prepare two publications:

- a full consultative document to be sent out to local interest groups and libraries, with availability details advertised in the local press
- a small commercially-produced publicity brochure which sets out the main issues of concern to the public, indicates where copies of the consultative document will be made available and includes a detachable response section

Both documents must state the deadline for responses and the name and address to whom they should be made. Normally, a public consultation period takes about four weeks.

The FEFC requires colleges considering merger to consult with other providers and users of further education in the local area and with those responsible for schools which have links with the colleges affected. The joint merger planning group must prepare a list of local interest groups to whom copies of the full consultative document should be sent. This should include:

- local schools
- neighbouring colleges
- higher education institutions
- local authority
- Training and Enterprise Council (TEC)
- careers service
- employer representatives
- community education service
- community groups
- local members of Parliament
- FEFC regional office
- college staff
- college students
- recognised trade unions

There is also a case for including the government regional office on this list. Colleges may wish to extend this public consultation process through public meetings, but this is not an FEFC requirement.

Analysis of responses from the public to the consultative document can be done in a number of ways. One method would be to record each response with a unique reference number and the date of receipt. The FEFC will wish to see copies of all responses as part of its consideration of merger proposals.

The responses of key sectors to the merger proposals will be of particular interest to the FEFC, so could be grouped into categories. These are likely to include some or all of the following:

- local schools
- neighbouring colleges
- local authority
- TEC
- higher education institutions
- members of Parliament
- college staff
- college students
- recognised trade unions
- community interests
- local business and industry
- careers service
- general public
- other interests

Where appropriate, set out responses for or against the proposals and identify the issues that will need to be addressed (see Figure 4).

You will need to assure both boards of governors that all relevant issues raised by the public consultation have been examined. Group these issues into categories, for example:

- inadequate information
- job security
- student choice
- travel
- college name
- quality
- lack of competition
- administration

Prepare a list of the issues to be addressed, including the appropriate response reference number and the proposed action, to give to both boards of governors for consideration. It may be necessary to review, or even revise, parts of the business case before progressing.

Response (number)	Generally in favour	Generally against	Indeterminate	Issues to address

FIGURE 4: ANALYSING RESPONSES TO THE CONSULTATIVE DOCUMENT

Issues for consideration

The public consultation period should be organised to fit the planned timetable for merger agreed by the college boards.

When using the business case to prepare the consultation document, it is important to identify sensitive information — such as financial and market information which could be useful to a post-16 competitor — and ensure that this is not included.

Some local interest groups may request more detailed discussions, so have prepared a response to such requests.

It is particularly useful to retain the support of local councillors and members of Parliament throughout the change. They will want to protect the interests of their local constituents, so chairs and chief executives of both colleges should seek an early meeting with them to outline the strategic case for merger.

All responses to the public consultation must be formally acknowledged and, where appropriate, contributors should be informed of any relevant changes which result.

In the case of the Sunderland merger, the FEFC was particularly interested in responses from governing bodies of local secondary schools. Because all of these schools were 11-16, the merger would mean that students had no choice of post-16 institution. The Council was concerned that schools might, as a result, look to develop their own sixth-forms. Correspondence on public consultation was addressed through the clerk to the governors of the relevant schools, to help ensure receipt of their views.

In most cases, it will be the views of local sector colleges that will be of particular interest to the FEFC; whether they will be interested in responses from local education authorities and schools will depend upon the circumstances of that specific merger.

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Checklist for action — arranging a public consultation

Questions	Response	Action
Strategic arrangements		
Has the period for public consultation been agreed?		
Has the process of public consultation been agreed?		
Have the local interest groups to be consulted been identified?		
Has the format for the consultation document been agreed?		
Have arrangements for advertisements and library distributions been made?		
Has the method of recording and analysing responses from the public consultation been agreed?		
Have arrangements been made to offer more extensive consultation with any local interest groups?		
Consultations and communications		
Has the staff been fully appraised of the progress towards merger to date?		
Have all the staff been advised of their rights to respond as part of this public consultation?		
Has there been consultation with recognised trade unions?		
Has there been consultation with student groups to advise them on the reasons for merger?		
Has a press release been prepared on this public consultation?		

Stage 5: preparing a formal proposal for the FEFC

Before submitting the formal proposal to the FEFC both colleges must be satisfied that all issues have been considered and appropriate action taken. The proposal will initially be considered by the regional committee of the FEFC which will want to assess the effect of a proposed reorganisation on the Council's ability to fulfil its statutory duties. The proposal will need to provide evidence that the new college will offer adequate and sufficient provision.

FEFC Circular 97/11 summarises the criteria on which the Council can assess a merger proposal:

- *the educational benefits of the proposed reorganisation to students and to further education in the area generally, particularly in terms of access and choice*
- *the financial benefits of the proposed reorganisation, particularly in terms of cost efficiency and viability*
- *the extent of consultation and the consideration which has been given to alternative options*
- *the likelihood of the proposed reorganisation being successfully implemented*

The full criteria are set out in Annex E of the circular. These requirements must be kept in mind when preparing the proposal for submission.

Although the proposal must address these issues explicitly it can be supplemented by details of research carried out in support of the proposal. The submission should include the:

- formal proposal document
- business case
- advantages and disadvantages of merger with a risk analysis
- public consultation document with a copy of all responses
- overview of responses to the public consultation document

All of these must have been agreed by both college boards of governors before being forwarded to the FEFC.

Issues for consideration

In the first instance, the formal proposal for merger will be considered by the FEFC regional committee, which will give a regional view on the proposals set against the FEFC criteria.

The submission document must outline the educational benefits to students and further education in the area and be achievable in terms of cost and of the time-scale proposed.

The level of public consultation must be clearly shown. It will be necessary to assure the FEFC that both college boards have reflected on the outcomes of the consultation in formulating their submission.

The submission should serve to assure the FEFC that alternative strategies to merger have been considered and rejected for good business reasons, that merger will improve rather than reduce choice of course and that careful consideration has been given to local market circumstances. It should include local information, such as post-16 participation rates and local progress towards achieving national targets for education and training.

The FEFC will also need to be convinced that appropriate management and control arrangements have been planned for the transition period.

Checklist for action — preparing a formal proposal for the FEFC

Questions	Response	Action
Strategic arrangements		
Have you considered the role the merger steering committee can have in preparing the submission documentation?		
Have you studied the criteria under which the FEFC will consider the proposals?		
Have you analysed the business plan against this criteria?		
Have you agreed the content and format for the FEFC submission?		
Have you scripted a mission statement which is acceptable to both college boards?		
How can the existing management teams be prepared to manage and control the merger process and subsequently the new college?		
Have you adequately explained the way in which a new board of governors will be established?		
Does the timetable include arrangements for appointing the new chief executive?		
Have you analysed clearly the financial advantages of merger?		
Have you emphasised any significant estates changes to the accommodation strategy of the two colleges?		
Have you adequately explained the staffing projections against growth targets?		
Have you explained curriculum opportunities and relocations in terms of educational benefits to students?		
Have you explained any changes arising as a result of public consultation?		
Is merger achievable within the proposed time-scale?		
What alternative strategies were rejected in favour of merger and why?		
Has an assessment of local market circumstances been included in the submission?		
Has the support of all key stakeholders been obtained?		
Consultations and communications		
Has an agreed press release been prepared?		
Has joint staff feedback on proposals been considered?		
Have you considered your responses to comments from recognised trade unions?		
Is it appropriate to produce another merger digest newsletter for both colleges to inform staff of the latest progress?		

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Stage 6: going before the FEFC regional committee

The FEFC regional committee will consider your proposal against the criteria listed in Circular 97/11. If, at the end of its meeting, it decides that more information is required it may:

- ask for the proposal to be resubmitted to its committee at a later date
- if the additional information required is not substantial, refer the proposal to the FEFC reorganisation committee with the proviso that they are given the extra material for consideration
- refer the proposal to the reorganisation committee with the advice that the proposal does not meet the criteria

It is advisable to keep the FEFC regional office informed on proposals as they develop, since it will then be in a position to help in the presentation of the case. Consult with other colleges who have been through the process, to get a feel for what the FEFC dimension involves.

In the case of the Sunderland merger, the meeting of the regional committee lasted three to four hours with a guided tour beforehand. This tour allowed committee members to brief themselves on the basic facts, ethos and motives of the colleges seeking to merge. The tour guide was chosen on the basis of being aware of the politically sensitive nature of this task and capable of speaking with confidence on the merger in a way consistent with the formal presentation. Regional committee members may wish to visit the sites of the institutions proposing merger to better understand the context of the proposal. However, it is not usual for representatives of the colleges to give a site tour. Also, the visit would not necessarily be the same day of the regional committee meeting.

It is normally the chairs and chief executives of both colleges who will present the proposals to the formal meeting of the regional committee. The colleges' presentation team will usually be invited to introduce the proposals and then be questioned by members of the committee.

This presentation should be seen as a crucial opportunity to highlight key issues and motives which led to the case for merger. The college team should meet beforehand to agree a strategy for the meeting and to prepare for all eventualities in the questions that the panel may ask. It is worth having a dry run with senior college executives or outside consultants acting as proxy for the FEFC committee.

At the end of the presentation, the committee will then consider the case for merger, and will normally inform colleges of the decision by letter. As noted above, it may request supplementary information, or refer the proposal to the reorganisation committee on the basis that the extra material is provided. If it has outstanding concerns with regard to quality, finance or estates, for example, it may require FEFC officers to visit the colleges to conduct further investigations on its behalf. Alternatively, it may refer the proposal to the reorganisation committee with the advice that it fails to meet all criteria; the decision on whether to proceed rests with the reorganisation committee.

Issues for consideration

The regional committee will wish to know why the *status quo* has been rejected in favour of merger.

The presentation should identify the key determinants leading to the proposed merger. Have available details on projected growth and anticipated change in student participation and local achievement of national targets for education and training. Diagrammatic or graphical support material could be used to assist the case.

The case for merger should demonstrate that competition and choice will still be adequate to stimulate institutional performance and student achievement. For example, the committee may be concerned that removal of choice of institution will lead to proposals for new sixth-forms in the area.

The time-scale for establishing a new board of governors and appointing a new principal will need to be explained, as will the interim management arrangements for the transition period.

Checklist for action — going before the FEFC regional committee

Questions	Response	Action
Strategic arrangements		
How will the college plan for a site(s) tour, if appropriate?		
Has a pre-meeting been arranged for the college presentation team?		
Has the form of presentation input been agreed?		
How will individual members contribute to this team presentation?		
Has any appropriate diagrammatic or graphical support material been identified and prepared?		
Is background local demographic statistical data readily available?		
Is the analysis clear against the FEFC criteria?		
Has the case received support from all local key interest groups?		
Are arrangements to establish a new board and appoint a new chief executive within the proposed time-scale adequate and appropriate?		
Has adequate preparation been made for the natural concerns with regard to reduction in choice of institution and competition?		
Are the interim arrangements for management control adequate?		
Is there a clear time-scale identifying the key milestones for achieving targets?		
Have you identified the critical success factors in the merger process?		
Consultations and communications		
Have you agreed how you will inform the staff and media on the outcome of the regional committee meeting?		

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Stage 7: going before the FEFC reorganisation committee

The regional committee will have forwarded the merger proposal to the FEFC's national reorganisation committee with its opinion on whether or not it meets all Council criteria. It is the reorganisation committee that takes the decision. When considering the proposal, the regional committee will have looked at the educational benefits of the proposed reorganisation to students and to further education in the area.

If the reorganisation committee decides that the proposal meets all criteria, it will recommend that the proposal be put before the Secretary of State for Education and Employment. So this is an important stage in the process. All previous evidence must be re-examined and any final doubts eliminated.

The chairs of the governors and chief executives of both colleges will be invited to attend the meeting of the reorganisation committee and answer questions on the submission. All college representatives must be fully briefed and a pre-meeting held to agree strategy and tactics for the meeting. Being a national committee, it has a very different membership to the regional one. It is chaired by the chair of the FEFC.

The committee panel may question further whether the merger is achievable and if so whether this will be within the proposed time-scale. They will wish to be reassured that any outstanding issues will be cleared up.

The colleges will be informed by letter of the decision of the reorganisation committee. If the decision is to support the merger proposal, they will explain the terms and conditions that they may wish to apply in giving this support.

The FEFC will have to undertake its own public consultation on the proposals. This will provide an independent check on the adequacy of the colleges' consultation process. The results of this consultation must then be considered by the Council before it puts the proposal for merger to the Secretary of State for Education and Employment.

The FEFC would propose a timetable setting out the stages still to be considered. This could include when the:

- draft proposals will be published by the FEFC (approximately four weeks)
- consultation period will end
- FEFC will consider responses
- proposal will go to the Secretary of State
- advertisement will go out for a chief executive of the new college
- Secretary of State's decision will be given
- new corporation will be established
- new chief executive will be appointed
- new college will become operational (and existing corporations dissolved)

In the case of Sunderland College, the FEFC required that the new corporation be established two terms before the merger took place. This was because the two existing principals were to retire so a new chief executive would have to be appointed. The timetable suggested by the FEFC will be specific to each proposal.

The time taken by the Secretary of State to consider the proposal cannot be anticipated precisely. The time-scale to undertake other procedures will vary according to when the new chief executive is in post; an external appointment would extend the time-scale. Discuss with the FEFC any difficulties the proposed timetable may present and the preliminary arrangements for establishing the new board of governors.

Issues for consideration

The presentation team should review the outcomes of the regional committee until it is satisfied that all issues have been considered.

The reorganisation committee will want to test the commitment of the two chairs of governors to this reorganisational change and to the proposed time-scale and whether the indicators of success for the merged college are achievable.

The presentation team should be prepared to answer questions on how the new board will be established. It is advisable to propose a balanced membership in terms of skills and gender mix. The team should also be prepared to respond to questions on the procedures for appointing a new chief executive.

The committee may wish to explore the time-scale for preparing a new strategic plan, incorporating the views of the new board and new chief executive. The FEFC will be interested to study this, along with any suggested changes to the role of the new board and new chief executive.

Checklist for action — going before the FEFC reorganisation committee

Questions	Response	Action
Strategic arrangements		
Has the presentation team agreed strategy and tactics for the reorganisation committee meeting?		
Have all members of the college team been briefed?		
Has the presentation team carefully reviewed the outcomes of the regional committee findings?		
Is the presentation team able to respond to questions regarding indicators of success for the merged college?		
Is background local demographic statistical data readily available?		
Has the proposed time-scale for the establishment of the new board been examined to ensure that it is achievable and meets all legal criteria, as outlined in the instrument and articles of government?		
Have the skills of existing board members been evaluated and a new board proposed, which achieves balanced membership?		
Does the submission set out how the new board would be established?		
Does the submission include terms of reference for a new chief executive and the procedures for advertising the post and making the appointment?		
Is the presentation team able to assure the reorganisation committee that the new board will take ownership of strategic policy?		
Consultations and communications		
Have arrangements been made to inform staff and the media of the outcome of the reorganisation committee meeting?		

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Stage 8: progressing the merger

When colleges receive the decision of the FEFC's reorganisation committee it will include details of why a proposal has been agreed or deferred. The Council may recommend that some essential control systems be subjected to external scrutiny, particularly if the merger involves large-scale reorganisation. It will also require assurance that the indicators of success for the merged college will be achieved within the proposed time-scale.

The next step is for the Council to publish draft proposals for:

- the establishment, under section 16 of the Further and Higher Education Act 1992, of the new corporation
- the dissolution, under section 27 of the Further and Higher Education Act 1992, of the further education colleges which are to be merged, and the transfer of the property, rights and liabilities of those corporations to the new corporation

It will then publish statutory notices about the proposed merger to begin a period of public consultation. These will set out statutory notices of intent to:

- dissolve existing colleges
- incorporate the new college

The notices will be displayed in prominent positions in the two colleges, in local central reference centres, and advertised in the local press. This public consultation period normally takes about four weeks, and the FEFC will have to consider any representations made in response to the publication of the draft proposals.

Subject to agreement following this consultation, the Council will then propose to the Secretary of State the establishment of a new corporation, and the dissolution of the existing two colleges. If the Secretary of State agrees to lay orders to give effect to the proposal, the Department for Education and Employment (DfEE) will contact the colleges to discuss detailed arrangements, including the preparation of new instruments and articles. Colleges have no right to appeal the Secretary of State's decision, nor are they able to amend their proposal and reapply.

If you want to restrict the initial appointment of senior staff to existing post-holders, inform the DfEE so that it incorporates a specific reference to that effect in the articles of government.

Issues for consideration

Identify any areas where the project team will need to incur additional cost for external assistance, up until the new chief executive is in post. This could be as a result of conditions imposed by the FEFC.

The new college will need to consider the time-scale for establishing its strategic objectives and performance indicators.

If the chief executive is likely to be an external appointment, it may be necessary to explain who will draw up the terms of reference and initiate the appointment procedure. This is usually a sub-group of the governors.

It is at this point that a search committee, acceptable to both college boards, should be established to be responsible for forming the new board. Contact the FEFC to ensure that procedurally the formation of the new board is in accordance with legal requirements.

The outcome of the merger application should be made known to staff and students. Prospective parents and students should be reassured, via a publicity leaflet, that change will produce minimal disruption.

Checklist for action — progressing the merger

Questions	Response	Action
Strategic arrangements		
Have steps been taken to ensure that essential control systems will meet the demands of external scrutiny?		
Has a governor search committee been established and agreed by both college boards?		
Have the size and balance of the new board been finalised?		
Will it be necessary to recruit additional board members for the new college?		
How will selection to the new board be undertaken?		
Has a group of governors been delegated the task of defining the terms of reference of the new chief executive?		
Have the roles of the new board and the new chief executive in the preparation of the strategic plan been defined?		
Consultations and communications		
Has it been agreed how the outcome of the merger application will be made known to staff and students?		
Has a PR strategy been defined to handle any media attention?		
Has publicity material to prospective students and parents been considered?		

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Stage 9: establishing the new board of governors

Once the Secretary of State has presented the order to Parliament and the decision to merge has been confirmed, along with the name and date for incorporation of the new college, it is time to consider who should be on the new board of governors.

The existing colleges will be dissolved on merger day so the new board should be in place for that date. The search committee which will recruit for this board should include members from both existing college boards. It would be politic to ascertain which partner college board members wish to serve on the new board. These members should then be assessed against the agreed needs profile, drawn up by a sub-group of the governors. Where deficiencies are found, new members should be sought.

The final draft membership of the new board must be sent to the Secretary of State for appointment. Once confirmed, the Department for Education and Employment will prepare an instrument and a set of articles of government for the new college. Once the Secretary of State has approved these then the new board can come into being, albeit some months before the official merger date.

At this point the merger steering committee can be dissolved, since the new board now takes over its role. The partner college boards will now focus on the remaining life of their institutions so the new board will have complete responsibility for the merger process.

At this stage the new board will exist without employees or assets so it will have to operate without staff and student governors. However, it may allow staff and student governors to attend board meetings as observers.

On its first meeting the new board will elect a chair and vice chair. It may decide to make the chair on the main board and its committees temporary appointments until the first full board after the date of incorporation when all membership vacancies should have been filled.

The merger process is unlikely to be cost free due to the need for legal and other professional advice as well as the possible need to advertise for a new chief executive. At this stage, the new board will have no budget, so will need to have any expenditure agreed by the boards of the existing colleges.

Issues for consideration

The search committee should be considered and accepted by both existing boards and be included in the submission to the Secretary of State.

In preparing the merger proposal to the FEFC it will be necessary to decide:

- the size of the new governing body
- the composition of the new governing body
- the skills profile for the new board membership
- whether to involve existing members or entirely new members

It is advisable to undertake an in-depth skills analysis of the existing board members to assist the search committee.

The first meeting of the new board will have to be carefully planned to ensure that all outstanding corporation constitutional business is dealt with.

Checklist for action — establishing the new board of governors

Questions	Response	Action
Strategic arrangements		
Have the size and composition of the new board been endorsed by the existing boards?		
Have the interests and skills of existing board members been researched?		
Have the arrangements for the clerical support function of the new board, to act as the link between the DfEE and the college, been agreed?		
Consultations and communications		
Have staff, students and recognised trade unions been advised that staff and student membership will not be possible until after incorporation?		
Have arrangements been made for an internal and external press release on the constitution and membership of the new board?		

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Stage 10: appointing the new principal/chief executive

One of the first functions of the new board of governors will be to determine the arrangements to appoint the new principal or chief executive. If the board intends to appoint internally from the two existing principals, it will be necessary to request special dispensation from Article (7) of the articles of government which makes mandatory that a principal's post be advertised nationwide. (Dispensation can also apply for other senior postholders.)

The boards of governors must establish an appointments committee formed from members of the new board, with possible outside members as professional and/or specialist advisers. This committee may choose to employ a recruitment agency to carry out its professional and administrative work. The remuneration committee of the new board must establish a salary level, to be included in the job specification.

The appointments committee should be responsible for:

- a job description
- a person specification and other criteria
- conducting the interview process
- preparing a recommendation to the new board of governors

Although the appointments committee can carry out the interview process, the formal decision on who to appoint has to be made by the full board.

Issues for consideration

The timing of the appointment and start date of the new principal/chief executive will be crucial in the merger planning programme.

The appointments committee may use a recruitment agency to assist in the appointment process.

Checklist for action — appointing the new principal/chief executive

Questions	Response	Action
Strategic arrangements		
Have the salary and conditions of service of the principal/chief executive been approved by the board of governors?		
Is it necessary to include external advisers on the appointments committee?		
Will an external recruitment agency be employed to assist in the appointment process?		
If an external recruitment agency is not used, how will the process be administered?		
Has the appointments committee mapped out an agreed time-scale, with a governors' meeting to confirm a recommendation?		
Consultations and communications		
Have arrangements been made to publicise the name and details of the new principal/chief executive?		

Summary of key points

- Leadership from the top is essential to provide consistency of purpose and direction.
- Before embarking on the path to merger it is vital to consider thoroughly all alternative solutions. If you are then convinced that merger is the best option you will need to prepare an outline timetable setting out all action required to progress a merger. This will include contacting the FEFC at an early stage to obtain details of its committee cycle dates and its consultation periods.
- Approval to merge can only be given by the Secretary of State for Education and Employment. It is important to study the statutory procedures which must be followed to achieve a change in status. These are set out in the FEFC Circular 97/11.
- Information for the 'pros and cons' report should be gathered from a number of sources within both colleges. It can be prepared by a joint working group but should have a single author.
- When isolating the advantages and disadvantages of a merger, it is vital to consider its impact at all levels of college activity. Carry out an audit of each college's strengths and weaknesses to identify where the benefits lie.
- Both colleges should appreciate that the business case will have to include commercially sensitive information.
- The business case will need to include details on the staffing implications of merger, so be prepared to respond to any staff concerns. Effective communication is paramount.
- The business case can be used to prepare the public consultation document, but ensure that all sensitive information is first removed.
- Once the responses to the public consultation have been analysed it is useful to identity appropriate action for each key issue raised.
- The formal proposal to the FEFC must provide evidence that all other options have been considered and that merger is the best business solution, improving choice for the local community.
- The regional committee may require further information before it makes its final decision on whether or not to approve the merger proposal. This may include officers visiting the colleges to carry out their own investigations.
- The FEFC reorganisation committee will want to assess how committed the chairs of governors are to the merger and whether the indicators of success are achievable.
- If you want appointments of senior staff for the new college to be restricted to existing post-holders, ensure that the DfEE is aware of this and agrees dispensation from Article 7 of the articles of government.
- Once the Secretary of State has approved the articles of government for the new college, the new board can come into operation and take over responsibility for preparing for merger.
- Until the new college becomes operational, its new board will have to have any expenditure, for example for legal advice, agreed by the boards of the existing colleges.
- As one of its first main tasks, the new board of governors should establish an appointments committee to be responsible for the processes involved in recruiting a new chief executive/principal. This committee, which could include outside members as specialist advisers, can only recommend who to appoint; it is the responsibility of the full board to make the decision.

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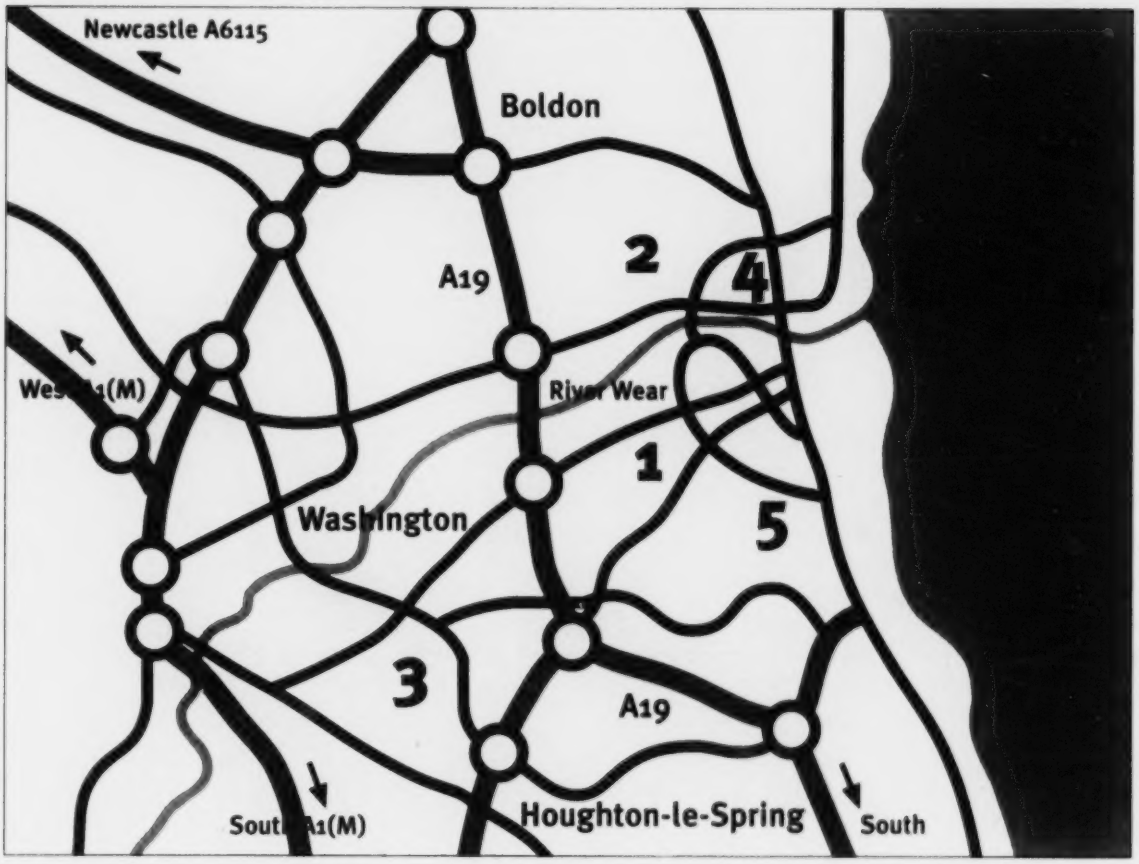
Appendix 1: map of City of Sunderland College centres within the regional context



City of Sunderland College

1
Bede Centre
Durham Road
Sunderland
SR3 4AH

2
Redcar Road Centre
Redcar Road
Sunderland
SR5 5DB

3
Shiney Row Centre
Success Road
Philadelphia
Houghton-le-Spring
DH4 4TL

4
Swan Street Centre
Swan Street
Sunderland
SR5 1EB

5
Tunstall Centre
Sea View Road West
Sunderland
SR2 9LH

Telephone [0191] 511 6000

Appendix 2: Key data on Monkwearmouth and Wearside colleges

	Monkwearmouth College		Wearside College		TOTAL	
	FT	FTE	FT	FTE	FT	FTE
1994/95	2421	3570	1820	3317	4241	6887
1995/96	2672	3977	1957	3345	4629	7322

PLANNED STUDENT GROWTH

	Monkwearmouth College	Wearside College	Combined colleges
Senior management (principalship)	5	7	12
Other management spine	30	30	60
Full-time lecturers	177	151	328
Temporary full-time lecturers	5	1	6
Temporary associate lecturers	3.5	-	3.5
Part-time Lecturers	50	45	95
SUB TOTAL	270.5	234	504.5

STAFFING STRUCTURE (DECEMBER 1994): ACADEMIC STAFFING (FTE)

	Monkwearmouth College	Wearside College	Combined colleges
Administrative	63	47	110
Technical and manual	44	48	92
Library and learning resource	16	11	27
TOTAL	123	106	229

SUPPORT STAFFING (FTE AND EXCLUDING CATERING AND CLEANING)

	Monkwearmouth College	Wearside College
Swan Street/Grange Park	8590	
Redcar Road	6210	
Shiney Row/Derwent House	11350	
Tunstall		16300
Bede		13650
TOTAL	26150	29950

ESTATES (DECEMBER 1994): ACCOMMODATION SPACE M^2

Year	Leavers	Change on 1994 base (%)
1994	3512	-
1995	3824	+8.9
1996	3805	+8.3
1997	3739	+6.5
1998	3561	+1.4
1999	3817	+8.7

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